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PRINCIPAL GROUP LTD.

SEPTEMBER 30, 1983

CONSOLIDATED FINANCIAL
HIGHLIGHTS





Francis G. Winspear Collection
Faculty of Business
University of Alberta

FEB - 8 1984

SEPTEMBER 30, 1983

**CONSOLIDATED FINANCIAL
HIGHLIGHTS
(Unaudited)**

THE CHAIRMAN'S PERSPECTIVE

FINANCIAL HIGHLIGHTS

The first nine months of 1983 have been very good for both Principal Group and its clients. Net income for the nine months ending September 30, 1983 was \$2 million.

Principal Group Ltd.'s consolidated assets increased to \$531 million, up 11.8% from December 31, 1982. In the same period managed assets increased 60 per cent to \$245 million. Total assets under administration increased from \$628 million at year end to \$776 million on September 30, 1983.

Principal has a very liquid portfolio of investments. Cash (3.8%), stocks (7.5%) and bonds, almost entirely Government of Canada's, (26.5%), represent 37.8% of our consolidated assets.

ANALYSIS OF PERFORMANCE

Principal Group's performance in 1983 has been a function of a favorable investment climate and our preparations to take advantage of that environment. Interest rates have declined and stabilized in the past five months. The Bank Rate started the year at 10.05 per cent and finished at 9.49 per cent on September 30. A stable financial environment has allowed us to reduce the cost of our funds as high cost money from previous years has matured. We have been able to replace that high cost pool with much lower cost funds.

INVESTMENT PERFORMANCE

Principal's three equity investment funds continue to have outstanding performance. The net asset value of Principal Venture Fund Ltd., Principal Growth Fund and Collective Mutual Fund Ltd. have increased 625 per cent, 297 per cent and 459 per cent, respectively, over the last eight years and nine months.

The performance of the funds combined with increased sales has greatly increased assets under management. Principal's mutual fund assets increased 65 per cent in the last nine months to \$235 million. The increased management fees from these growing managed assets have contributed to the profitable outlook for Principal.

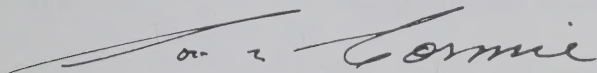
The company's own portfolio has also been a beneficiary of capital gains in its stock and bond portfolios. I am extremely proud of our investment performance. I am confident in our ability to capitalize on the stock boom we see ahead.

SALES GROWTH

Principal's ability to effectively distribute its products and services, combined with a positive investment environment, has resulted in a considerable increase in sales. Sales volume (an adjustment made to cash sales to reflect distribution income) was \$96.6 million compared to \$50.1 million recorded in the similar nine month period in 1982. Mutual fund cash sales for the first nine months of 1983 were \$83.3 million compared to \$13.4 million the same period in 1982. That represents a staggering 526 per cent increase. This kind of performance is a real tribute to the quality and service orientation of our sales force.

PROSPECTS

We have begun what could be one of the most exciting financial eras in history. We have carefully developed a strategy and have built an experienced and progressive team. Principal is poised to introduce an array of new products as innovative as the introduction in Canada of our two new U.S. mutual funds, Principal Equity Fund, Inc. and Principal World Fund, Inc. The purchase of a major interest in Bomac Batten Ltd. represents another opportunity the company has to exploit its expertise in communications technology. The new Daily Interest Commercial Account indicates how we can help other businesses profit from our money management skills. We are looking ahead and expect to reach our objective of \$1 billion in total assets under administration early next year.

A handwritten signature in dark ink, reading "Donald M. Cormie". The signature is fluid and cursive, with a long horizontal line extending from the start of the name.

Donald M. Cormie, Q.C.
Chairman of the Board and President

INCOME HIGHLIGHTS

(Unaudited) For 9 Months Ending September 30, 1983

INCOME

Investment	\$ 53,649,000
Management and Other Fees	<u>4,148,000</u>
Total Income	<u>\$ 57,797,000</u>

EXPENSES

Interest	42,579,000
Operating and Other	<u>12,799,000</u>
Total Expenses	<u>\$ 55,378,000</u>

Net Income Before Income Taxes	<u>2,419,000</u>
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Estimated Income Taxes	<u>407,000</u>
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NET INCOME	<u><u>\$ 2,012,000</u></u>
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ASSETS UNDER ADMINISTRATION

(Unaudited) As At September 30, 1983

Balance Sheet Assets	\$531,094,000
Managed Assets	<u>245,400,000</u>
Total Assets Under Administration	<u><u>\$776,494,000</u></u>

BALANCE SHEET HIGHLIGHTS

(Unaudited) As At September 30, 1983

ASSETS

Cash	\$ 35,870,000
Stocks	32,319,000
Bonds	135,805,000
Mortgages, Real Estate and Other Assets	<u>327,100,000</u>

TOTAL ASSETS	<u><u>\$531,094,000</u></u>
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LIABILITIES

Certificate Liabilities	\$319,868,000
Guaranteed Investment Cert. and Savings Deposits	139,606,000
Notes and Debentures	54,890,000
Other Liabilities	<u>4,875,000</u>

TOTAL LIABILITIES	<u>\$519,239,000</u>
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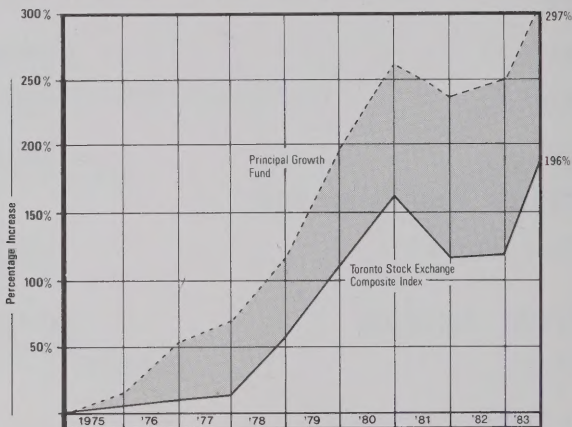
SHAREHOLDERS' EQUITY	<u>11,855,000</u>
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$531,094,000</u></u>
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PRINCIPAL GROWTH FUND

8 Year, 9 Month Comparative Performance Ending September 30, 1983*

Principal Growth Fund is a balanced Canadian Fund eligible for RRSP Investments that seek capital growth.

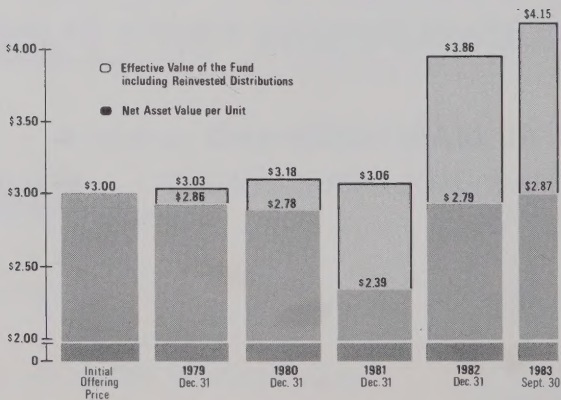


*including reinvested distributions

PRINCIPAL BOND FUND

Performance From Feb. 1979 to Sept. 30, 1983

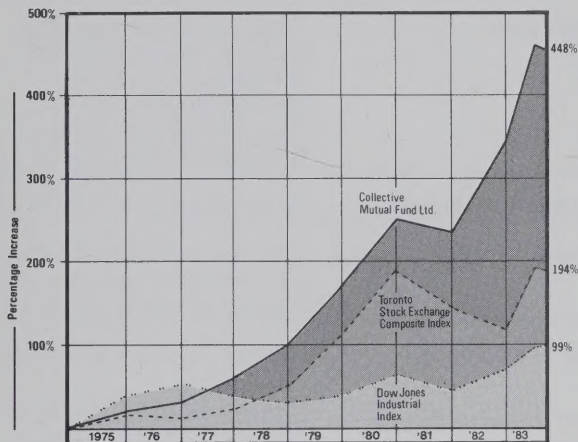
The objective of Principal Bond Fund is to provide investors with a high rate of income and capital appreciation potential over the long term.



COLLECTIVE MUTUAL FUND LTD.

**8 Year, 10 Month
Ending September 30, 1983***

Collective Mutual Fund Ltd. invests in any international market that offers blue-chip investments. The Fund's investments currently consist of stock and convertible bonds in the U.S. market.

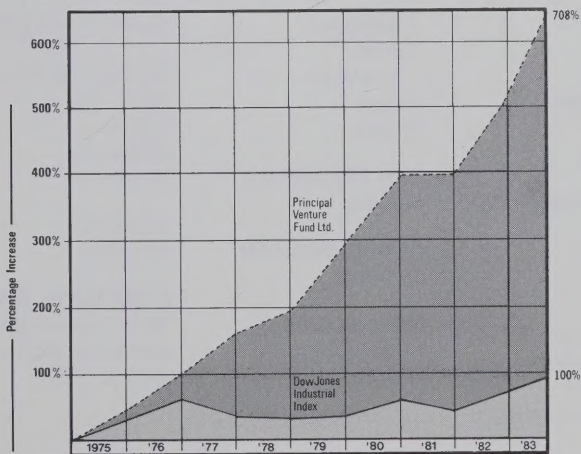


*including reinvested dividends

PRINCIPAL VENTURE FUND LTD.

**8 Year, 9 Month
Ending September 30, 1983***

Principal Venture Fund Ltd. is an aggressive fund that stresses superior capital appreciation in stocks of U.S. companies.



*including reinvested distributions

PRINCIPAL

GROUP OF COMPANIES

Principal Group is a family of diversified companies that provides a wide range of Financial Services to individuals and corporations in Canada and the United States.

SERVICES

MEMBER COMPANIES

Investment Funds	Collective Mutual Fund Ltd. Principal Venture Fund Ltd. Principal Growth Fund Principal Bond Fund Principal Equity Fund, Inc. Principal World Fund, Inc.
Trust and Fiduciary Services	Principal Savings and Trust Company
Investment and Thrift Certificates	Associated Investors of Canada Ltd. First Investors Corporation Ltd. Principal Certificate Series, Inc.
Investment Management	Principal Securities Management Limited Principal Management, Inc.
Tax Planning	Principal Consultants Ltd. Principal Investors Corporation
Management Services and Mortgages	Principal Group Ltd.
Insurance Services	Principal Life Insurance Company of Canada Mercer and Williams Agency Ltd.

Call the Principal Financial Consultant nearest you.

ALBERTA	Richmond	PRINCE EDWARD ISLAND
Calgary	Surrey	
Edmonton	Vancouver	SASKATCHEWAN
Medicine Hat	Vernon	Moose Jaw
Red Deer	Victoria	Regina
Lethbridge		Saskatoon
	NEW BRUNSWICK	Melville
BRITISH COLUMBIA	Moncton	
Kamloops		ARIZONA
Kelowna	NEWFOUNDLAND	Scottsdale
Nanaimo	St. John's	
Penticton		CORPORATE OFFICES
Prince George	NOVA SCOTIA	2900 Principal Plaza
Vancouver Area:	North Sydney	Edmonton, Alberta
Coquitlam	Halifax	(403) 421-2020
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